

## Message Text

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ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /031 W

----- 053608

O 271154Z FEB 74

FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC IMMEDIATE 9819

C O N F I D E N T I A L SECTION 1 OF 2 LUSAKA 0322

EXDIS

PASS OPIC

EO 11652: GDS

TAGS: EFIN

SUBJECT: TAW

REF: STATE 38774

1. TAW VICE PRESIDENT FRANK SAVAGE URGENTLY REQUESTED FEB 26 APPOINTMENT ON IMPORTANT MATTER WITH AMBASSADOR IN WHICH HE CONFIRMED WHAT EMBASSY HAD HEARD FROM EXPATRIATE SOURCE LAST WEEK THAT PERMSEC PETER SIWO OF MINISTER OF POWER, TRANSPORT AND PUBLIC WORKS BY LETTER OF FEB 19 HAD CANCELLED TAW CONTRACT EFFECTIVE IMMEDIATELY ON GROUNDS OF NON-PERFORMANCE DUE LATE DELIVERY.

2. SAVAGE SHOWED EMBOFFS COPY OF LETTER STATING GRZ REGARDED ITSELF AS FULLY ABSOLVED FROM ALL FURTHER COMMITMENT TO TAW. ALSO SHOWED COPY OF REPLY FROM TAW'S LOCAL LEGAL COUNSEL (FORMER SOLICITOR GENERAL SEBASTIAN ZULU) QUESTIONING LEGALITY OF GRZ'S UNILATERAL ACTION AND CITING TAW-GRZ CONTRACT WHICH WITHOUT PENALTY FOR DELAYED DELIVERY DUE FACTORS BEYOND TAW CONTROL OR PROVISION FOR ABROGATION. SAVAGE SAID TAW'S LEGAL CASE "UNASSAILABLE". MEANWHILE HE RECOMMENDED AND

TOM WOOD AGREED THAT COMPANY WOULD CANCEL HIGH COST  
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SHIPPING SPACE RESERVED OUT OF BALTIMORE FOR 100 TRUCKS  
NOW IN PORT THERE FOR SHIPMENT TO ZAMBIA.

3. QUERIED RE WHO AND WHAT WAS BEHIND GRZ DECISION,

SAVAGE GAVE FIVE POSSIBLE EXPLANATIONS AND ALLEGATIONS PICKED UP FROM VARIOUS LOCAL SOURCES, ALL OF WHICH HE FELT HAD SOME DEGREE OF BEARING ON DECISION.

A) TECHNICAL, I.E., DELAYED DELIVERY AND INTERIM SUBSTITUTION OF NON-SPECIFICATION VEHICLES.

B) HIGH COST OF LEASING WITH SOME PERSISTENT CRITICS CHARGING CONTRACT TOO LUCRATIVE WITH HINT OF LOCAL PAYOFFS. THIS POINT HOTLY CONTESTED BY SAVAGE WHO CLAIMS MINIMUM TO NO PROFIT BECAUSE OF ADVERSE CIRCUMSTANCES.

C) POLITICAL, WITH FOREIGN AND DOMESTIC ASPECTS. CONTRACT SAID TO BE CANCELLED PRIOR TO PRESIDENT KAUNDA'S CHINA TRIP AS MEANS REASSURING CHINESE THERE WOULD BE NO RPT NO COMPETITION FROM ROAD TRANSPORT WHEN TANZAM RR COMPLETED LATE THIS YEAR OR EARLY NEXT. DOMESTICALLY TAW SAID TO HAVE BECOME "CAUSE CELEBRE" BETWEEN FEUDING FACTIONS OF GOVERNMENT LOOKING FOR BONE OF CONTENTION.

D) UNDERCUTTING BY TAW'S COMPETITORS, I.E., TRADITIONAL EUROPEAN SUPPLIERS WITH ALLEGED CLOSE TIES TO LOCAL POLITICIANS.

E) PERSONALITY DIFFERENCES. UNEXPLAINED BY SAVAGE BUT SUGGESTION STRONG THAT AMERICAN SALES TECHNIQUES A BIT BEYOND CURRENT STAGE OF ZAMBIAN DEVELOPMENT.

4. UPON RECEIPT OF SIWO LETTER SAVAGE DISPATCHED ONE OF TAW'S AFRICAN EMPLOYEES TO NAIROBI FEB 19 TO COMMUNICATE CANCELLATION NEWS TO WOOD BY PHONE. WOOD FLEW INTO NAIROBI LAST WEEKEND, MET SAVAGE THERE, MAPPED OUT PRELIMINARY STRATEGY, AND RETURNED THIS WEEK TO WASHINGTON PRESUMABLY FOR DISCUSSIONS WITH PARTICIPANTS. WOOD DID NOT COME TO ZAMBIA. (COMMENT: WOOD MAY SEEK TO MEET SIWO WHO CURRENTLY IN WASHINGTON, POSSIBLY CONFIDENTIAL

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FOR TALKS WITH IBRD OR EXIM.)

5. TAW'S LOCAL "GAME PLAN" IS TO LET LAWYERS ARGUE LEGALITY OF CASE PENDING PRESIDENT KAUNDA'S RETURN FROM CHINA. SHORTLY THEREAFTER WOOD HOPES MEET PRESIDENT TO OBTAIN FORMAL REVERSAL, AS WOOD HAS NOT HAD OPPORTUNITY DISCUSS TAW OPERATIONS WITH PRESIDENT AS PLANNED EARLIER. SAVAGE CLAIMS MINISTER POWER, TRANSPORT AND PUBLIC WORKS SOKO (NOW IN CHINA), AS WELL AS LISHOMWA OF STATE HOUSE AND ATTORNEY GENERAL'S OFFICE (SILU JWE AND CHIBESAKUNDA) ALL EARLIER ARGUED AGAINST CANCELLATION. PRIME MINISTER MAINZA CHONA IS SUPPOSED TO HAVE BEEN INFLUENCED BY NEW

CONTINGENCY COMMITTEE TO GIVE INSTRUCTIONS ON WHICH  
CANCELLATION BASED.

NOTE BY OC/T: NOT PASSED OPIC.

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ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /031 W

----- 053598

O 271154Z FEB 74

FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC IMMEDIATE 9820

C O N F I D E N T I A L SECTION 2 OF 2 LUSAKA 0322

EXDIS

PASS OPIC

6. BELIEVE THERE IS CERTAIN INCONSISTENCY, EVEN UNREALITY,  
IN WASHINGTON REQUEST FOR INFORMATION ON LEASE CANCELLATION  
AND RECOMMENDATION FOR POSSIBLE ACTION WITH PARALLEL REQUEST  
ON EMBASSY THAT NO RPT NO APPROACH TO GRZ BE UNDERTAKEN. AS  
DEPT WILL SEE, CASE IS REplete WITH POLITICAL OVERTONES WHICH  
COULD HAVE BEARING ON IMPROVING CLIMATZUFOR US INVESTMENT WHICH  
SUCH MINISTERS AS MWAANGA OF FOREIGN AFFAIRS AND  
CHIKWANDA OF PLANNING AND FINANCE ARE SO ACTIVELY  
TRYING TO PROMOTE. FOR USG ONLY TO RAISE ITS ANTENNAE WITHOUT  
TAKING INITIATIVE TO SEEK THE FACTS COULD BE MISINTERPRETED  
IN OFFICIALDOM

AND EVEN WORK TO TAW'S DISFAVOR AT THIS STAGE.

ALL THIS WAS EXPLAINED TO SAVAGE FEB 26 BEFORE RECEIPT  
OF REFTEL BECAUSE OF POSSIBLE EFFECT LEGITIMATE EMBASSY  
INTEREST IN CASE COULD HAVE ON OUR BILATERAL RELATIONS  
AND BECAUSE OF UNDENIABLE PROBLEMS USG OFFICIALS  
IN WASHINGTON AND LUSAKA HAVE HAD WITH TAW  
SENSITIVITIES AND MISINTERPRETATIONS. WE EXPLAINED TO  
SAVAGE OUR NEED FOR DISCREET INQUIRY IN TAW'S BEST  
INTERESTS AND HE SAID HE UNDERSTOOD PERFECTLY. WE  
WOULD HOPE THIS ATTITUDE SHARED BY WOOD.

7. IN FIRST ATTEMPT GATHER FACTS WE CONTACTED SOLICITOR  
GENERAL LOMBE CHIBESAKUNDA IMMEDIATELY UPON HEARING  
UNCONFIRMED REPORT FEB 22. THAT OFFICE FOUND "NOTHING NEW  
OR CAUSE FOR CONCERN" AT THAT TIME BUT, NOW LOOKING INTO  
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MATTER FOR SUBSEQUENT DISCUSSION.

8. EMBASSY NOW TRYING TO SORT OUT GRZ POSITION, INCLUDING  
AUTHORITY ON WHICH DECISION TAKEN, WHETHER IRREVOCABLE,  
AND PRELIMINARY GRZ LEGAL OPINION ON VALIDITY OF ACTION.  
PENDING RETURN OF PRESIDENTIAL PARTY, RECOMMEND  
THAT NO RPT NO FORMAL APPROACH THROUGH NOTE TO MINISTRY  
OF FOREIGN AFFAIRS BE TAKEN UNTIL WE HAVE CLEARER READING OF  
CASE THROUGH ASSUREDLY DISCREET INFORMAL INQUIRY AT MOST  
KNOWLEDGEABLE LEVELS OF GRZ.  
WILKOWSKI

NOTE BY OC/T: NOT PASSED OPIC.

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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 27 JUL 1999  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DOCUMENTS, AGREEMENTS, FINANCIAL DATA, POLITICAL SITUATION  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 27 FEB 1974  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Source:** ADS  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** n/a  
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**Office:** ACTION SS  
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**Original Handling Restrictions:** EXDIS  
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**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** EXDIS  
**Reference:** STATE 38774  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 30 AUG 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <30 AUG 2002 by WorrelSW>; APPROVED <10 DEC 2002 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** TAW  
**TAGS:** EFIN, US, ZA  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005